

APPENDIX A
FINAL RULES

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 C.F.R. Parts 36 and 54 as follows:

PART 36 – JURISDICTIONAL SEPARATIONS PROCEDURES;
STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS
PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR
TELECOMMUNICATIONS COMPANIES

1. Delete §§ 36.701-36.741.

PART 54 - UNIVERSAL SERVICE

2. The authority citation for Part 54 continues to read as follows:

Authority: 47 U.S.C. §§ 1, 4(i), 201, 205, 214, and 254 unless otherwise noted.

3. Amend § 54.400 by adding paragraph (f) to read as follows:

§ 54.400 Terms and definitions.

* * *

(f) *Income*. “Income” is all income actually received by all members of the household. This includes salary before deductions for taxes, public assistance benefits, social security payments, pensions, unemployment compensation, veteran’s benefits, inheritances, alimony, child support payments, worker’s compensation benefits, gifts, lottery winnings, and the like. The only exceptions are student financial aid, military housing and cost-of-living allowances, irregular income from occasional small jobs such as baby-sitting or lawn mowing, and the like.

4. Amend § 54.401 by amending paragraph (c) and adding paragraph (e) to read as follows:

§ 54.401 Lifeline defined.

* * *

(c) Eligible telecommunications carriers may not collect a service deposit in order to initiate

Lifeline service, if the qualifying low-income consumer voluntarily elects toll limitation service from the carrier, where available. If toll limitation services are unavailable, the carrier may charge a service deposit.

* * *

(e) Consistent with § 52.33(a)(1)(i)(C), eligible telecommunications carriers may not charge Lifeline customers a monthly number-portability charge.

5. Amend § 54.405 by adding paragraphs (c) and (d) to read as follows:

§ 54.405 Carrier obligation to offer Lifeline.

All eligible telecommunications carriers shall:

(a) * * *

(b) * * *

(c) Notify Lifeline subscribers of impending termination of Lifeline service if the carrier has a reasonable basis to believe that the subscriber no longer meets the Lifeline-qualifying criteria, as described in § 54.409. Notification of impending termination shall be in the form of a letter separate from the subscriber's monthly bill. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination, that requires, at a minimum, written notification of impending termination, must comply with the applicable state requirements.

(d) Allow subscribers 60 days following the date of the impending termination letter required in paragraph (c) in which to demonstrate continued eligibility. Subscribers making such a demonstration must present proof of continued eligibility to the carrier consistent with applicable state or federal verification requirements, as described in § 54.410(c). Carriers must terminate subscribers who fail to demonstrate continued eligibility within the 60-day time period. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to

Lifeline termination must comply with the applicable state requirements.

6. Amend § 54.409 by amending paragraphs (b) and (c) and adding paragraph (d) to read as follows:

§ 54.409 Consumer qualification for Lifeline.

(a) * * *

(b) To qualify to receive Lifeline service in a state that does not mandate state Lifeline support, a consumer's income, as defined in § 54.400(f), must be at or below 135% of the Federal Poverty Guidelines or a consumer must participate in one of the following federal assistance programs: Medicaid; Food Stamps; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program's free lunch program; or Temporary Assistance for Needy Families.

(c) * * * Such qualifying low-income consumer shall also qualify for Tier-Three Lifeline support, if the carrier offering the Lifeline service is not subject to the regulation of the state and provides carrier-matching funds, as described in § 54.403(a)(3).

(d) In a state that does not mandate state Lifeline support, each eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer pursuant to paragraphs (b) or (c) must obtain that consumer's signature on a document certifying under penalty of perjury that:

(i) the consumer receives benefits from one of the programs listed in paragraphs (b) or (c), and identifying the program or programs from which that consumer receives benefits, or

(ii) the consumer's household meets the income requirement of paragraph (b), and that the presented documentation of income, as described in §§ 54.400(f), 54.410(a)(ii), accurately represents the consumer's household income; and

(iii) the consumer will notify the carrier if that consumer ceases to participate in the

program or program or if the consumer's income exceeds 135% of the Federal Poverty Guidelines.

7. Create new § 54.410 to read as follows:

§54.410 Certification and Verification of Consumer Qualification for Lifeline.

(a) *Certification of Income.* Consumers qualifying under an income-based criterion must present documentation of their household income prior to enrollment in Lifeline.

(i) By one year from the effective date of these rules, eligible telecommunications carriers in states that mandate state Lifeline support must comply with state certification procedures to document consumer income-based eligibility for Lifeline prior to that consumer's enrollment if the consumer is qualifying under an income-based criterion.

(ii) By one year from the effective date of these rules, eligible telecommunications carriers in states that do not mandate state Lifeline support must implement certification procedures to document consumer-income-based eligibility for Lifeline prior to that consumer's enrollment if the consumer is qualifying under the income-based criterion specified in § 54.409(b). Acceptable documentation of income eligibility includes the prior year's state, federal, or tribal tax return, current income statement from an employer or paycheck stub, a Social Security statement of benefits, a Veterans Administration statement of benefits, a retirement/pension statement of benefits, an Unemployment/Workmen's Compensation statement of benefits, federal or tribal notice letter of participation in General Assistance, a divorce decree, child support, or other official document. If the consumer presents documentation of income that does not cover a full year, such as current pay stubs, the consumer must present three consecutive months worth of the same types of document within that calendar year.

(b) *Self-Certifications.* After income certification procedures are implemented, eligible

telecommunications carriers and consumers are required to make certain self-certifications, under penalty of perjury, relating to the Lifeline program.

(i) An officer of the eligible telecommunications carrier in a state that mandates state Lifeline support must certify that the eligible telecommunications carrier is in compliance with state Lifeline income certification procedures and that, to the best of his/her knowledge, documentation of income was presented.

(ii) An officer of the eligible telecommunications carrier in a state that does not mandate state Lifeline support must certify that the eligible telecommunications carrier has procedures in place to review income documentation and that, to the best of his/her knowledge, the carrier was presented with documentation of the consumer's household income.

(iii) Consumers qualifying for Lifeline under an income-based criterion must certify the number of individuals in their households on the document required in § 54.409(d).

(c) *Verification of Continued Eligibility.* Consumers qualifying for Lifeline may be required to verify continued eligibility on an annual basis.

(i) By one year from the effective date of these rules, eligible telecommunications carriers in states that mandate state Lifeline support must comply with state verification procedures to validate consumers' continued eligibility for Lifeline.

(ii) By one year from the effective date of these rules, eligible telecommunications carriers in states that do not mandate state Lifeline support must implement procedures to verify the continued eligibility of a statistically valid random sample of their Lifeline consumers to verify continued eligibility and provide the results of the sample to the Administrator. If verifying income, an officer of the eligible telecommunications carrier must certify, under penalty of perjury, that the eligible telecommunications carrier has income verification procedures in place and that, to the best of his/her knowledge, the carrier was presented with

corroborating income documentation. In addition, the consumer must certify, under penalty of perjury, that the consumer continues to participate in the Lifeline qualifying program or that the presented documentation accurately represents the consumer's household income and the number of individuals in the household.

8. Create new § 54.416 to read as follows:

§ 54.416 Certification of Consumer Qualification for Link Up.

Consumers qualifying under an income-based criterion must present documentation of their household income prior to enrollment in Link Up consistent with requirements set forth in §§ 54.410(a) and (b).

9. Create new § 54.417 to read as follows:

§ 54.417 Recordkeeping Requirements.

(a) Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Notwithstanding the preceding sentence, eligible telecommunications carriers must maintain the documentation required in §§ 54.409(d) and 54.410(b)(iii) for as long as the consumer receives Lifeline service from that eligible telecommunications carrier or until audited by the Administrator. If an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline/Link Up programs.

(b) Non-eligible-telecommunications-carrier resellers that purchase Lifeline discounted wholesale services to offer discounted services to low-income consumers must maintain records to document compliance with all Commission requirements governing the Lifeline/Link Up programs for the three full preceding calendar years and provide that documentation to the

Commission or Administrator upon request. To the extent such a reseller provides discounted services to low-income consumers, it constitutes the eligible telecommunications carrier referenced in §§ 54.405(c), 54.405(d), 54.409(d), 54.410, and 54.416.

APPENDIX B**LIST OF PARTIES FILING COMMENTS IN RESPONSE TO
THE NOTICE OF PROPOSED RULEMAKING**Comments

1. ACORN
2. AT&T Corp. (AT&T)
3. BellSouth Corporation (BellSouth)
4. Empowerment Center of Greater Cleveland Consumers for Fair Utility Rates (Consumer's Coalition)
5. Dobson Communications Corporation (Dobson)
6. Florida Public Service Commission (Florida PSC)
7. National Association of State Utility Consumer Advocates (NASUCA)
8. National Consumer Law Center on behalf of Massachusetts Union of Public Housing Tenants (NCLC)
9. National Fuel Funds Network (NFFN)
10. New York Department of Public Service (New York DPS)
11. Ohio Public Utilities Commission (Ohio PUC)
12. Oklahoma Corporation Commission (OCC)
13. WorldCom, Inc., d/b/a MCI (MCI)
14. Pennsylvania Utility Law Project (PULP)
15. People of the State of California and the California Public Utilities Commission (California PUC)
16. Texas Legal Services Center
17. Texas Office of Public Utility Counsel (Texas OPC)
18. Tribal Telecom Outreach
19. United States Conference of Catholic Bishops, Alliance for Community Media, Appalachian People's Action Coalition, Center for Digital Democracy, Consumer Action, Consumer Federal of America, Edgemont Neighborhood Coalition, and Migrant Legal Action Program (USCCB)
20. United Utilities, Inc. (UII)
21. Verizon

Reply Comments

1. AT&T Corp. (AT&T)
2. BellSouth Corporation (BellSouth)
3. National Association of State Utility Consumer Advocates (NASUCA)
4. National Consumer Law Center on behalf of Massachusetts Union of Public Housing Tenants (NCLC)
5. Pennsylvania Public Utility Commission (PaPUC)
6. Commissioner Aaron Wilson Jr. of the Pennsylvania Public Utility Commission (Commissioner Wilson, PaPUC)
7. Rural Iowa Independent Telephone Association (RIITA)
8. Verizon

APPENDIX C**LIFELINE/LINK-UP STATE SURVEY**

1. What changes, if any, has the state implemented in its Lifeline/Link-Up program due to changes in the federal Lifeline/Link-Up program? Of those changes, which have been most effective in increasing the state's telephone penetration rate?
2. Please provide any additional information the state wishes to submit regarding positive or negative results experienced due to adoption of new Lifeline/Link-Up procedures during the past 12 months.
3. Please provide any additional information the state wishes to submit regarding any administrative burdens or inefficiencies that the state has experienced due to adoption of new Lifeline/Link-Up procedures during the past 12 months.
4. What is the current level of Lifeline support in the state, and are any changes scheduled to be made in the future?
5. Describe the state's Lifeline/Link-Up eligibility requirements.
6. Describe the state's Lifeline/Link-Up procedures for enrollment and certification, including documentation requirements. Do any state agencies qualify applicants for the Lifeline/Link-Up program?
7. Describe the state's Lifeline/Link-Up procedures for verification, including documentation requirements. If the state plans to implement a verification program, please describe.
8. Does the state now use, or is it considering implementing an electronic database to identify income-eligible households or facilitate verification or enrollment? If yes, please describe.
9. Describe the state's outreach efforts. Which outreach efforts in particular have been the most successful in increasing participation?
10. List suggestions for improvements to the federal Lifeline/Link-Up program.
11. Does the state require all incumbent LECs to provide Lifeline/Link-Up Service to eligible subscribers?
12. Does the state require all competitive LECs to provide Lifeline/Link-Up Service to eligible subscribers?
13. Does the state sponsor any other low-income assistance programs that may provide alternative means for low-income consumers to access the public switched telephone network?

APPENDIX D

**ESTIMATED INCOME REQUIREMENTS FOR A HOUSEHOLD AT OR BELOW
135% OF THE FEDERAL POVERTY GUIDELINES**

Size of Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 12,123	\$15,134	\$13,946
2	16,362	20,439	18,819
3	20,601	25,745	23,693
4	24,840	31,050	28,566
5	29,079	36,356	33,440
6	33,318	41,661	38,313
7	37,557	46,967	43,187
8	41,796	52,272	48,060
For each additional person, add	4,239	5,306	4,874

APPENDIX E**LIFELINE/LINK-UP STATE PROCEDURES AS COMPILED BY
THE FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE¹****I. ELIGIBILITY****A. Self-Certification of Eligibility for Enrollment****1. California²**

In California, telephone companies must “immediately enroll” a customer who verbally certifies that he or she is eligible to participate in the Lifeline program. The company then sends the customer a self-certification form on which the customer affirms in writing that he or she is eligible for Lifeline and agrees that the company may verify his or her income. If the customer does not return the form within 30 days or if the company determines that the customer is not in fact eligible, the customer is removed from the program.

B. Paperless Enrollment Application**1. Colorado³**

Colorado has implemented a paperless application process that allows potential recipients, after being notified of eligibility, to call their local telephone company to receive the discounts. There is no written application. This paperless application process makes it easier for the consumer to get the needed assistance and also enables low-income consumers to choose a competitive LEC that offers the assistance to eligible subscribers using the same paperless application process as the incumbent LEC. There is no paper application to keep track of and transfer from company to company.

C. Automatic Enrollment**1. Massachusetts⁴**

In Massachusetts, households that qualify for LIHEAP can voluntarily give their permission, at the time of application, for the LIHEAP-administering agency to disclose information to Verizon that allows the household to be enrolled in Lifeline. Thus, enrollment is not “automatic” in the sense of being done without the household’s permission, but it is done

¹ This is a reproduction of Appendix E to the *Recommended Decision*. See generally *Recommended Decision*, Appendix E. This information was compiled by the Joint Board from assertions of commenters in response to the Joint Board’s *Public Notice*. *Federal-State Joint Board on Universal Service Seeks Comment on Review of Lifeline and Link-Up Service for All Low-Income Consumers*, CC Docket 96-45, Public Notice, 16 FCC Rcd 18407 (2001) (*Public Notice*). The Commission reproduces this appendix for illustrative purposes only and takes no position on any of the practices described herein.

² See NCLC Comments at 5-6.

³ See Colorado DHS/OCC Comments at 4.

⁴ See NCLC Comments at 6.

electronically in most cases. This facilitates enrollment, and the results are evident in the relatively high Lifeline subscription rate in Massachusetts.

2. New York⁵

In New York State, the Public Utility Law Project (PULP) has spent several years working to increase participation rates in the Lifeline/Link-Up programs. PULP represents low-income and rural consumers in utility, telephone and energy related matters. PULP worked with the New York Public Service Commission (NYPSC), the New York Department of Family Assistance (NYDFS), and NYNEX (now Verizon) to create an automatic enrollment database. The data transferred between the NYDFS and Verizon is confidential and cannot be used by Verizon or the state for any reason other than Lifeline assistance. Anytime an individual enrolls for a program administered by NYDFS they are automatically enrolled in Lifeline/Link-Up, but are also given the option to opt-out of the Lifeline/Link-Up program. Individuals who are not Verizon customers but have been identified by NYDFS as being eligible because of enrollment in a program administered by NYDFS are notified of their eligibility and given the opportunity to request Lifeline service by returning a pre-printed form. This system increased the number of people participating in Lifeline from 197,339 in 1987 to 703,001 in 1998. Lifeline consumers who have ceased receiving other assistance through NYDFS for four consecutive months are removed from Lifeline.

3. North Dakota⁶

In North Dakota, when consumers go to the county office of the North Dakota Department of Human Services (NDHS) and are determined eligible for any of the qualifying programs in the North Dakota Lifeline and Link-Up program, they receive an information sheet about Lifeline/Link-Up or enhanced Lifeline/Link-Up. Each qualifying individual receives a certificate of eligibility in the mail from NDHS which states that the individual must return this certificate to the telephone company in order to receive Lifeline/Link-Up. Once a year, all eligible North Dakotans receive a new qualifying certificate from the NDHS. The annual mailing of this certificate to eligible parties helps increase participation in Lifeline and Link-Up programs by providing an additional opportunity to sign up with the local telephone company. Qwest and some other North Dakota companies use a different method of verification. Through arrangements with NDHS, these companies receive an annual list of eligible participants to verify against their current participation list and delete unqualified participants based on this list. Participants with these companies do not need to send in a qualifying certificate annually.

D. Paper-Proof Verification of Continued Eligibility

1. Tennessee⁷

The process used in Tennessee initially requires the applicant requesting Link-Up and

⁵ See Civil Rights Forum Comments at 3.

⁶ See North Dakota Public Service Commissioner Comments at 1.

⁷ See Tennessee Regulatory Authority Comments at 11-12.

Lifeline to provide proof of the public assistance program they receive. Proof of benefits may be demonstrated by providing a copy of the approval letter to receive Food Stamps, Medicaid or TANF from the Tennessee Department of Human Services (TDHS) or a copy of the SSI benefit letter from the Social Security Administration.

E. On-Line Verification of Continued Eligibility

1. Illinois⁸

In Illinois, ETCs can perform on-line verification of a consumer's eligibility by obtaining real-time access to a database of state low-income assistance program participants. The result is a streamlined process for both consumers and ETCs.

2. Minnesota⁹

Minnesota verifies the income and/or disability of all applicants. An enrollee's continued participation in the program is also verified on an annual basis. Minnesota verifies 85% of its Telephone Assistance Program participants by the use of computer interfaces with the Minnesota Department of Revenue, public assistance databases, and LIHEAP databases. The remainder are contacted by mail and asked to provide proof of continuing eligibility. Due to these verification procedures, Minnesota is not aware of problems with ineligible or fraudulent individuals being enrolled in the Telephone Assistance Program.

3. Tennessee¹⁰

In Tennessee, Lifeline applicants are required to certify eligibility by presenting documentation to their carrier of their participation in Food Stamps, Medicaid, TANF, or SSI. Documentation can be demonstrated by a copy of their approval letter to receive benefits through one of those programs. Self-certification is not permitted. Once the documentation is received by the carrier, the carrier then verifies the accuracy of the documentation with the Tennessee Department of Human Services (TDHS) client database. Verification of continued eligibility is also accomplished utilizing this electronic system. This has been the most efficient and effective way in which to verify and re-verify that a consumer is receiving public assistance. Tennessee requires re-verification of consumers on Lifeline no less than twice a year or every six months.

II. OUTREACH

A. Multi-Lingual Assistance

1. California¹¹

On December 11, 2001, the California PUC approved a one-year, \$5 million contract to

⁸ See SBC Comments at 2.

⁹ See Minnesota DOC Comments at 4

¹⁰ See Tennessee Regulatory Authority Comments at 11-12.

¹¹ See Civil Rights Forum Comments at 4; NCLC Comments at 5.

design and implement a competitively neutral public awareness and outreach program in order to increase universal Lifeline telephone service subscribership. On the same date, the California PUC approved a three-year, \$1.5 million contract for a multi-lingual toll-free call center that provides customer service information about Lifeline in Spanish, Korean, Laotian, Cambodian, Vietnamese, Tagalog, and Hmong, as well as English. As a result of California's outreach efforts, Lifeline participation rates have increased from 1,467,859 in 1989 to 3,196,661 in 2000.

2. Florida¹²

The Florida Public Service Commission sends eligible Florida consumers a postcard-size flier about the Lifeline/Link-Up program. Approximately 35,000 of the fliers, which were written in English on one side and Spanish on the other, were mailed to consumers in 2000.

3. Minnesota¹³

To accommodate the state's increasingly diverse community, the Minnesota Department of Human Services currently makes Lifeline/Link-Up applications available in Arabic, Hmong, Cambodian, Lao, Russian, Somali, Spanish and Vietnamese.

4. Tennessee¹⁴

The Tennessee Regulatory Authority (TRA) has created four color posters in English and Spanish and posted them in locations frequented by low-income individuals, such as health care facilities, legal offices, churches, charitable organizations, and Human Services offices. To support this campaign, the TRA has established a toll-free hotline. The TRA has produced public service announcements for radio and television.

B. Tribal Outreach

1. Arizona and New Mexico¹⁵

In Arizona and New Mexico, Smith Bagley, a wireless carrier, conducts intensive advertising campaigns on tribal reservations in service areas where they are designated as an ETC. One of its most successful forms of outreach is its day-long event. Smith Bagley moves its storefront into town for a day and hosts a sign-up event where customers can learn about wireless service, determine their eligibility for Lifeline/Link-Up, sign up for service, have car installations done, obtain training on using a cell phone, and ask Smith Bagley's staff any questions they may have about Lifeline/Link-Up or wireless service. This unique outreach event has led to an increase of 14,000 new Lifeline subscribers.

¹² See Florida PSC Comments at 7.

¹³ See Minnesota DOC Comments at 5.

¹⁴ See Civil Rights Forum Comments at 5.

¹⁵ See Smith Bagley Reply Comments at 2, 7-8.

C. Agreement with ETC**1. Florida¹⁶**

The Florida Public Service Commission (Florida PSC) has recently approved a joint stipulation between the Florida Office of Public Counsel and BellSouth that established a Community Service Fund for use in educating customers and promoting BellSouth's Lifeline/Link-Up services. As part of the stipulation, BellSouth agreed to contribute \$250,000 in 2002 and \$150,000 in 2003.

D. "Warm Transfer Line"**1. Florida¹⁷**

The Florida PSC has made consumer education about Lifeline a priority. The Florida PSC operates an innovative "warm transfer line" which allows consumers who call the agency with Lifeline/Link-Up questions to be automatically transferred to the appropriate eligible telecommunications carrier providing phone service in their service area. The warm transfer line assures consumers that they will be in touch directly with the company who can initiate the service.

E. Coordination with Organizations and Other Agencies**1. Florida¹⁸**

The Florida PSC also works closely with key state agencies, such as the Florida Department of Children and Families (DCF) and Department of Community Affairs, to ensure that the materials are received by the target population. For example, the Florida PSC created a postcard-sized flier to be sent to eligible Florida consumers using the DCF's mailing lists and mail system. Approximately 35,000 of the fliers, which were written in English on one side and Spanish on the other, were mailed to consumers in 2000. Finally, the Florida PSC is partnering with the American Association of Retired Persons (AARP), the Florida Association of Counties, and the Florida League of Cities to further promote Lifeline/Link-Up.

F. Lifeline/Link-Up Seminars**1. Rhode Island¹⁹**

In Rhode Island, consumer advocates hold annual forums and conferences, often consisting of panels in which local telephone company representatives speak about Lifeline and distribute brochures.

¹⁶ See Florida PSC Comments at 4.

¹⁷ See Florida PSC Comments at 7.

¹⁸ See Florida PSC Comments at 7.

¹⁹ See Universal Service Administrative Company Comments at 10 (USAC).

2. Tennessee²⁰

The TRA has implemented several methods to promote Lifeline and Link-Up. It has created a Manager of Consumer Outreach position that concentrates on providing consumer information. This Manager conducts three or four Lifeline/Link-Up seminars per month at nursing homes across Tennessee. At the seminar, brochures and applications are distributed, leading to numerous applications for Lifeline/Link-Up. Brochures are also distributed at various public affairs events.

G. Direct Mailings

1. Connecticut²¹

The Connecticut Department of Social Services works in conjunction with ETCs to target eligible low-income consumers through the mail.

2. Idaho²²

The State of Idaho sends flyers and brochures printed by the Idaho Public Utilities Commission to eligible state residents.

3. Maine²³

In late 1999, the Maine State Housing Authority and the Maine Community Action Programs jointly carried out two major mass mailings to all eligible LIHEAP recipients notifying those consumers that they were also eligible for Lifeline. An estimated 134,000 letters and flyers were mailed, paid for by the Maine Telecommunications Education Fund.

4. New York²⁴

The Public Utility Law Project of New York sends annual personalized letters to all persons eligible for Lifeline, informing them about the program.

5. North Carolina²⁵

In North Carolina, an ad hoc committee comprised of staff members from the North Carolina Utilities Commission, the Attorney General's Office, major telecommunications industries, and social services organizations have made major strides since 1998 in their Lifeline/Link-Up outreach efforts with direct mailings and other forms of outreach. Since the

²⁰ See Civil Rights Forum Comments at 5.

²¹ See USAC Comments at 14.

²² See USAC Comments at 14.

²³ See USAC Comments at 9.

²⁴ See USAC Comments at 12.

²⁵ See Civil Rights Forum Comments at 4-5.

committee's first meeting, 200,000 brochures have been printed and distributed to various organizations across the state that works with low-income families. The North Carolina Public Service Commission sent notices to everyone in North Carolina who was eligible for the programs.

6. Tennessee²⁶

The TRA works with the TDHS database to determine eligible individuals and then mails Lifeline/Link-Up information to those people.

H. Lifeline/Link-Up Notification on Every Call

1. Maine²⁷

Maine's public assistance agencies explain the Lifeline/Link-Up program whenever a household applies for public assistance and the state's telephone companies mention Lifeline/Link-Up whenever a customer applies for telephone service. This way, a household can apply for Lifeline/Link-Up by phone by simply stating that they receive one of the listed public benefits and providing either a social security number or welfare identification number. Maine credits its high penetration rates to this combination of innovative outreach and easy application methods.

I. Tax Break for Lifeline/Link-Up Telephone Companies

1. North Carolina²⁸

North Carolina provides for a tax break to Lifeline/Link-Up telephone companies equal to the amount of money they are required to contribute for Lifeline/Link-Up. According to FCC data, Lifeline enrollment in North Carolina increased from 29,640 in 1998 to 62,475 in 2000.

J. Lifeline/Link-Up Marketing Board

1. California²⁹

California created a Lifeline Marketing Board which promotes the Lifeline program beyond the typical telephone company policy of including information in their telephone bills.

²⁶ See Civil Rights Forum Comments at 5.

²⁷ See NCLC Comments at 7.

²⁸ See North Carolina Utilities Commission Comments at 4-5.

²⁹ See Civil Rights Forum Comments at 4-5.

APPENDIX F

**ESTIMATED INCOME REQUIREMENTS FOR A HOUSEHOLD AT OR BELOW
150% OF THE FEDERAL POVERTY GUIDELINES**

Size of Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$13,470	\$16,815	\$15,495
2	18,180	22,710	20,910
3	22,890	28,605	26,325
4	27,600	34,500	31,740
5	32,310	40,395	37,155
6	37,020	46,290	42,570
7	41,730	52,185	47,985
8	46,440	58,080	53,400
For each additional person, add	4,710	5,895	5,415

APPENDIX G**LIST OF CURRENT FEDERAL DEFAULT STATES**

Based on available information, the following states currently are “federal default states”:

**Seven States and/or Territories with their own Lifeline/Link-Up programs
have adopted the federal default criteria**

Iowa
Illinois
Kentucky
Minnesota
Nebraska
Nevada
Puerto Rico

Nine States and/or Territories have not adopted their own Lifeline/Link-Up Program

American Samoa
Delaware
Guam
Hawaii
Indiana
Louisiana
New Hampshire
Northern Mariana Islands
U.S. Virgin Islands

APPENDIX H**FINAL REGULATORY FLEXIBILITY ANALYSIS****(REPORT AND ORDER)**

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA)¹ an Initial Regulatory Flexibility Analysis (IRFA) was incorporated in the *NPRM*.² The Commission sought comment on the proposals in the *NPRM*, including comment on the IRFA. The present Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.³

A. Need for, and Objectives of, the Order

2. In this *Order*, we adopt rules that expand the federal default eligibility criteria for Lifeline/Link-Up to include an income-based criterion of 135% of the Federal Poverty Guidelines and additional means-tested programs. We also adopt rules requiring certification and verification procedures for eligibility under certain circumstances. In addition, we provide outreach guidelines for carriers and states and a voluntary Lifeline/Link-Up administrative survey to better target low-income consumers and improve program operation. Collectively, these rules will improve the effectiveness of the low-income support mechanism and ensure quality telecommunications services are available to low-income consumers at just, reasonable, and affordable rates.

B. Summary of Significant Issues Raised by Public Comments in Response to the IRFA

3. There were no comments filed specifically in response to the IRFA. Nevertheless, the agency has considered the potential impact of the rules proposed in the IRFA on small entities. Adding two means-tested programs, Temporary Assistance to Needy Families (TANF) and National School Lunch's free lunch program (NSL), and household income as a basis for Lifeline/Link-Up eligibility does not raise significant issues for small business entities. Some commenters were concerned that certification and verification procedures might pose significant costs on small entities. However, the rules we adopt today strike a balance between minimizing compliance burdens and costs and preserving the integrity of the Lifeline/Link-Up program.

C. Description and Estimate of the Number of Small Entities To Which Rules Will Apply

4. The RFA directs agencies to provide a description of, and where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.⁴ The RFA generally defines the term "small entity" as having the same meaning as the terms "small

¹ See 5 U.S.C. § 603. The RFA, see 5 U.S.C. §§ 601-612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² *NPRM*, 18 FCC Rcd at 11630-36, paras. 6-22.

³ See 5 U.S.C. § 604.

⁴ 5 U.S.C. § 603(b)(3).

business,” “small organization,” and “small governmental jurisdiction.”⁵ In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act.⁶ A “small business concern” is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).⁷

5. The Commission’s decision to adopt certification and verification requirements would apply to service providers that provide services to qualifying low-income consumers who receive Lifeline/Link-Up support. According to the Universal Service Administrative Company’s (USAC) 2002 Annual Report, only local exchange carriers, cellular/personal communications services (PCS) providers, and competitive access providers would be subject to these requirements.⁸ Because many of these service providers could include small entities, we expect that the proposal in this proceeding could have a significant economic impact on local exchange carriers, small incumbent local exchange carriers, cellular/PCS providers, and competitive access providers that are small entities.⁹

6. We have included small incumbent local exchange carriers in this present RFA analysis. As noted above, a “small business” under the RFA is one that, *inter alia*, meets the pertinent small business size standard (e.g., a telephone communications business having 1,500 or fewer employees), and “is not dominant in its field of operation.”¹⁰ The SBA’s Office of Advocacy contends that, for RFA purposes, small incumbent local exchange carriers are not dominant in their field of operation because any such dominance is not “national” in scope.¹¹ We have therefore included small incumbent local exchange carriers in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

7. *Incumbent Local Exchange Carrier.* Neither the Commission nor the SBA has developed a size standard specifically for small providers of local exchange services. The closest

⁵ 5 U.S.C. § 601(6).

⁶ 5 U.S.C. § 601(3) (incorporating by reference the definition of “small-business concern” in the Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies “unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register.” 5 U.S.C. § 601(3).

⁷ 15 U.S.C. § 632.

⁸ See USAC Annual Report 2002, Appendix B (2002).

⁹ The most reliable source of information regarding the total numbers of common carrier and related providers nationwide, including the numbers of commercial wireless entities, appears to be data the Commission publishes annually in its *Trends in Telephone Service* report. See *Trends Report* at Table 16.3.

¹⁰ 15 U.S.C. § 632.

¹¹ Letter from Jere W. Glover, Chief Counsel for Advocacy, SBA, to William E. Kennard, Chairman, FCC (May 27, 1999). The Small Business Act contains a definition of “small-business concern,” which the RFA incorporates into its own definition of “small business.” See 15 U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret “small business concern” to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b).

applicable size standard under the SBA rules is for wired telecommunications carriers.¹² This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees.¹³ According to Commission data, 1,337 incumbent carriers reported that they were engaged in the provision of local exchange services. Of these 1,337 carriers, an estimated 1,032 have 1,500 or fewer employees and 305 carriers have more than 1,500 employees. Consequently, the Commission estimates that most providers of incumbent local exchange service are small businesses that may be affected by the rules and policies adopted herein. According to Commission data, 1,337 incumbent carriers reported that they were engaged in the provision of local exchange services. Of these 1,337 carriers, an estimated 1,032 have 1,500 or fewer employees and 305 carriers have more than 1,500 employees. Consequently, the Commission estimates that most providers of incumbent local exchange service are small businesses that may be affected by the rules and policies adopted herein.

8. *Competitive Local Exchange Carriers, Competitive Access Providers, and Other Local Exchange Carriers.* Neither the Commission nor the SBA has developed a size standard specifically for small providers of local exchange services. The closest applicable size standard under the SBA rules is for wired telecommunications carriers.¹⁴ This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees.¹⁵ According to the most recent Commission data,¹⁶ 609 companies reported that they were engaged in the provision of either competitive access provider services or competitive local exchange carrier services. Of these 609 companies, an estimated 458 have 1,500 or fewer employees and 151 have more than 1,500 employees.¹⁷ In addition, 35 carriers reported that they were “Other Local Exchange Carriers.” Of the 35 “Other Local Exchange Carriers,” an estimated 34 have 1,500 or fewer employees and one has more than 1,500 employees.¹⁸ Consequently, the Commission estimates that most providers of competitive local exchange service, competitive access providers, and “Other Local Exchange Carriers” are small entities that may be affected by the rules and policies adopted herein.

9. *Cellular and Other Wireless Telecommunications.* The SBA has developed a small business size standard for Cellular and Other Wireless Telecommunications, which consists of all such firms having 1,500 or fewer employees.¹⁹ According to data for 1997, a total of 977 such firms operated for the entire year.²⁰ Of those, 965 firms employed 999 or fewer persons for the year, and 12 firms employed 1,000 or more. Therefore, nearly all such firms were small

¹² 13 C.F.R. § 121.201, NAICS Code 517110.

¹³ *Id.*

¹⁴ 13 C.F.R. § 121.201, NAICS Code 517110.

¹⁵ *Id.*

¹⁶ FCC, Wireline Competition Bureau, Industry Analysis and Technology Division, “Trends in Telephones Service” at Table 5.3, Page 5-5 (Aug. 2003).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ 13 C.F.R. § 121.201, NAICS code 517212.

²⁰ U.S. Census Bureau, 1997 Economic Census, Subject Series; Information, Table 5, “Employment Size of Firms Subject to Federal Income Tax: 1997,” NAICS code 513322 (October 2000).

businesses. In addition, we note that there are 1,807 cellular licenses; however, a cellular licensee may own several licenses.²¹ According to Commission data, 858 carriers reported that they were engaged in the provision of cellular service, Personal Communications Service (PCS), or Specialized Mobile Radio telephony service, which are placed together in the data.²² We have estimated that 291 of these are small under the SBA small business size standard.²³

10. *Broadband Personal Communications Service (PCS)*. The broadband PCS spectrum is divided into six frequencies designated A through F, and the Commission has held auctions for each block. The Commission defined "small entity" for Blocks C and F as an entity that has average gross revenues of less than \$40 million in the three previous calendar years.²⁴ For Block F, an additional classification for "very small business" was added and is defined as an entity that, together with their affiliates, has average gross revenues of not more than \$15 million for the preceding three calendar years.²⁵ These regulations defining "small entity" in the context of broadband PCS auctions have been approved by the SBA.²⁶ No small businesses within the SBA-approved definition bid successfully for licenses in Blocks A and B. There were 90 winning bidders that qualified as small entities in the Block C auctions. A total of 93 small and very small business bidders won approximately 40% of the 1,479 licenses for Blocks D, E, and F.²⁷ On March 23, 1999, the Commission re-auctioned 347 C, D, E, and F Block licenses; there were 48 small business winning bidders. Based on this information, we conclude that the number of small broadband PCS licensees will include the 90 winning C Block bidders and the 93 qualifying bidders in the D, E, and F blocks, plus the 48 winning bidders in the re-auction, for a total of 231 small entity PCS providers as defined by the SBA and the Commission's auction rules. On January 26, 2001, the Commission completed the auction of 422 C and F Broadband PCS licenses in Auction No. 35. Of the 35 winning bidders in this auction, 29 qualified as small or very small businesses.

D. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

11. Expanding the eligibility criteria will not create additional reporting, recordkeeping, or other compliance requirements.

12. Several other requirements adopted in this Order, however, affect recordkeeping requirements. First, ETCs will be required to maintain records to document compliance with all

²¹ See Federal Communications Commission, Universal Licensing System, <<http://wireless.fcc.gov/uls/>>.

²² See *Trends Report*, Table 5.3 - Number of Telecommunications Service Providers that are Small Businesses.

²³ *Id.*

²⁴ See *Amendment of Parts 20 and 24 of the Commission's Rules - Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap*, FCC 96-278, WT Docket No. 96-59, Report and Order, Sections 57-60 (released June 24, 1996), 61 FR 33859 (July 1, 1996) (*Broadband PCS Order*); see also 47 C.F.R. § 24.720(b).

²⁵ See *Broadband PCS Order* at Section 60.

²⁶ See, e.g., *Implementation of Section 309(j) of the Communications Act - Competitive Bidding*, PP Docket No. 93-253, Fifth Report and Order, 9 FCC Rcd 5532, 5581-84 (1994).

²⁷ FCC News, *Broadband PCS, D, E and F Block Auction Closes*, No. 71744 (released January 14, 1997).

Commission requirements governing the Lifeline/Link-Up programs, including numerous self-certifications, and provide that documentation to the Commission or Administrator upon request for the full three preceding calendar years.²⁸ Specifically, ETCs in federal default states must retain certifications that documentation of income eligibility was presented when the customer was initially enrolled in Lifeline and when the customer was subject to verification of continued eligibility.²⁹ ETCs in states operating their own Lifeline/Link-Up program must document compliance with state Lifeline regulations and recordkeeping requirements, including state certification and verification procedures.³⁰ Second, non-ETC resellers must retain documentation to demonstrate that they are providing discounted services only to qualifying low-income customers.³¹ Records of customer eligibility must be maintained for as long as the customer receives Lifeline service from that ETC or until that ETC is audited by the Administrator.³²

E. Steps Taken to Minimize the Significant Economic Impact on Small Entities, and Significant Alternatives Considered

13. Although self-certification of income may be easily administered, we conclude that self-certification of income could invite abuse of the Lifeline/Link-Up program, because it is difficult to verify income.³³ Accordingly, to address concerns of potential waste, fraud, and abuse, we will require consumers qualifying under the income-based criterion to present documentation of income.³⁴ To minimize burdens on carriers, however, we do not require ETCs in federal default states to maintain this documentation of income.³⁵ Rather, an officer of the ETC need only self-certify, under penalty of perjury, that the carrier has procedures in place to review income documentation and that, to the best of his or her knowledge, income documentation was presented.³⁶ In addition, to ensure that only eligible consumers receive Lifeline/Link-Up benefits, we require ETCs in federal default states to verify directly with a state that particular subscribers continue to be eligible or survey subscribers directly by sending annual verification forms to a statistically valid sample of Lifeline subscribers, providing the results of the sample to USAC.³⁷

14. We allow states operating their own Lifeline/Link-Up programs flexibility to develop their own certification of income and verification procedures.³⁸ We note that resources of the

²⁸ See *supra* para. 39.

²⁹ See *supra* paras. 31, 35, 38, 39.

³⁰ See *supra* paras. 29, 34, 39.

³¹ See *supra* para. 40.

³² See *supra* para. 38.

³³ See *supra* para. 28.

³⁴ *Id.*

³⁵ See *supra* para. 31.

³⁶ *Id.*

³⁷ See *supra* para. 35.

³⁸ See *supra* paras. 29, 34.

carrier, among other things, should be taken into consideration when devising state certification and verification procedures.³⁹ In addition, an officer of an ETC in states that operate their own Lifeline/Link-Up programs must certify, under of penalty of perjury, that the ETC complies with state certification procedures and that, to the best of his or her knowledge, documentation of income for consumers applying under an income-based criterion was presented.

15. Finally, we provide carriers options regarding retaining records of consumer eligibility. Carriers may either retain such records for as long as the carrier provides Lifeline service to that consumer or until it is audited by the Administrator. These requirements are necessary to ensure program integrity. However, we provide carriers flexibility to choose the more appropriate recordkeeping method.

F. Report to Congress

16. The Commission will send a copy of the Order, including this FRFA, in a report to be sent to Congress pursuant to the Congressional Review Act, *see* 5 U.S.C. § 801(a)(1)(A). In addition, the Commission will send a copy of the Order, including the FRFA, to the Chief Counsel for Advocacy of the Small Business Administration. A copy of the Order and FRFA (or summaries thereof) will also be published in the Federal Register.

³⁹ *See supra* para. 29, 34

APPENDIX I

INITIAL REGULATORY FLEXIBILITY ANALYSIS

(FURTHER NOTICE OF PROPOSED RULEMAKING)

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹ the Commission has prepared the present Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities by the policies and rules proposed in this *Further Notice*. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the *Further Notice* as provided above in Section V(C). The Commission will send a copy of the *Further Notice*, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration.² In addition, the *Further Notice* and IRFA (or summaries thereof) will be published in the Federal Register.³

A. Need for, and Objectives of, the Proposed Rules

2. The Commission is required by section 254 of the Act to promulgate rules to implement the universal service provisions of section 254.⁴ On May 8, 1997, the Commission adopted rules that reformed its system of universal service support mechanisms so that universal service is preserved and advanced as markets move toward competition.⁵ Among other things, the Commission adopted a mechanism to provide discounted monthly telephone service and installation charges to low-income households.⁶ Over the last few years, important changes in the low-income community and the Joint Board's *Recommended Decision* prompt us to review the low-income universal service support mechanism.⁷

3. In this *Further Notice*, we seek comment on whether the income-based criterion in the federal default eligibility criteria should be increased to 150% of the FPG to make phone service more affordable to more low-income individuals and families.⁸ Applying the same methodology used to analyze the 135% of the FPG income-based criterion, the Commission staff analysis estimates that broadening the income-based criterion to 150% of the FPG may only have a minimal impact on national telephone penetration rates, but could add many new Lifeline subscribers.⁹ Therefore, we seek comment on whether a broader income-based criterion should

¹ See 5 U.S.C. § 603. The IRFA, see 5 U.S.C. §§ 601-12, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) Pub. L. No. 104-121, Title II, 110 Stat 857 (1996).

² See 5 U.S.C. § 603(a).

³ See *id.*

⁴ 47 U.S.C. § 254.

⁵ See generally 1997 Universal Service Order.

⁶ See generally 1997 Universal Service Order, 12 FCC Rcd at 8973-76, paras. 373-78.

⁷ See *supra* para. 6

⁸ See *supra* paras. 56-57; Appendix F.

⁹ See generally Appendix K.

be added even when there could be only a minimal impact to the national telephone penetration rate.¹⁰

B. Legal Basis

4. This *Further Notice* is adopted pursuant to sections 1, 4(i), (4j), 201-205, 251, 252, and 303 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), (j), 201-205, 251, 252, and 303.

C. Description and Estimate of the Number of Small Entities To Which Rules Will Apply

5. The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the rules adopted herein.¹¹ The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.”¹² In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities.¹³ Under the Small Business Act, a “small business concern” is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the Small Business Administration (SBA).¹⁴

6. We have described in detail, *supra*, in the FRFA, the categories of entities that may be directly affected by any rules or proposals adopted in our efforts to reform the universal service low-income support mechanism.¹⁵ For this IRFA, we hereby incorporate those entity descriptions by reference.

D. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

7. The *Further Notice* seeks comment on potential changes to the federal default income-based eligibility criterion for the low-income support mechanism. This potential change will not impact reporting or recordkeeping requirements, however, it could impact the overall pool of eligible applicants.

E. Steps Taken to Minimize Significant Economic Impact on Small Entities, and

¹⁰ See *supra* para. 57.

¹¹ 5 U.S.C. § 604(a)(3).

¹² 5 U.S.C. § 601(6).

¹³ 5 U.S.C. § 601(3) (incorporating by reference the definition of “small business concern” in 5 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies “unless an agency after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition in the Federal Register.”

¹⁴ 15 U.S.C. § 632.

¹⁵ See *supra* Appendix H, paras. 5-10.

Significant Alternatives Considered

8. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach impacting small business, which may include the following four alternatives (among others): (1) the establishment of differing compliance and reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or part thereof, for small entities.¹⁶

9. In this *Further Notice*, we seek comment on whether the Commission should adopt a broader income-based criterion. If a broader income-based criterion is adopted, this could change the size of the overall pool of eligible applicants for universal service support for low-income subscribers.

F. Federal Rules that May Duplicate, Overlap, or Conflict with the Proposed Rules

10. None.

¹⁶ See 5 U.S.C. §§ 603(c)(1)-(4).

APPENDIX J

STATISTICALLY VALID SAMPLE

Eligible Telecommunications Carriers (ETCs) subject to the federal default criterion will be required to verify the continued eligibility of a statistically valid sample of their Lifeline customers. The size of a statistically valid sample, however, varies based upon many factors, including the number of Lifeline subscribers (N) and the previously estimated proportion of Lifeline subscribers inappropriately taking Lifeline service (P).

For the first year that ETCs verify subscribers' continued eligibility, all ETCs should assume that the proportion P of subscribers inappropriately taking Lifeline service is .01, if there is no evidence to assume a different proportion. In subsequent years, ETCs should use the results of samples from previous years to determine this estimated proportion. In all instances, the estimated proportion P should never be less than .01 or more than .06.

For ETCs with large numbers of Lifeline subscribers (more than 400,000), a statistically valid sample size must be calculated pursuant to the following formula:¹

$$\text{Sample Size} = 2.706 * P * (1 - P) / .000625.$$

For ETCs with 400,000 Lifeline subscribers or less, the above formula could yield a sample size that is larger than needed to be statistically valid.² To simplify the calculation of a statistically valid sample, a table of sample sizes based on two variables N (number of Lifeline subscribers) and P (previously estimated proportion of Lifeline subscribers inappropriately taking Lifeline service) is provided below. Various numbers of Lifeline subscribers N are listed in the left-most column. Various previously estimated proportions P are listed on the first row. To determine the sample size, find the box that matches your number of Lifeline subscribers N and proportion P.

If the number of Lifeline subscribers is not listed and/or the proportion is not listed, ETCs should use the next higher number for N and/or P that is in the table, *i.e.* always round up to the next higher value for N and/or P. For example, if 3.8 percent of 9,500 Lifeline subscribers inappropriately took Lifeline service, the ETC would use a sample size of 164 (value using 10,000 customers and proportion .04). Because the adjustment for the number of Lifeline subscribers is *de minimus* above 400,000 Lifeline subscribers, ETCs with more than 400,000 Lifeline subscribers must use the above formula to calculate the sample size.

All ETCs must provide the estimated proportion for their samples to the Administrator, *i.e.*, the proportion of sampled subscribers inappropriately taking Lifeline service.

¹ The values 2.706 and .000625 in this formula are mandated by OMB. See Office of Management and Budget, Memorandum M-03-13 (May 21, 2003).

² Sample sizes for ETCs with 400,000 Lifeline subscribers or less are calculated pursuant to the following formula: sample size = $N / (1 + \{(N-1)/n\})$. N is the number of Lifeline subscribers and $n = 2.706 * P * (1 - P) / .000625$, where P is the previously estimated proportion of Lifeline subscribers inappropriately taking Lifeline service. ETCs may choose to calculate their sample sizes using these formulas.

Sample Size Table

(N) Number of Lifeline Subscribers	Previously Estimated Proportion of Subscribers Inappropriately Taking Lifeline Service (P) ¹										
	0.01	0.015	0.02	0.025	0.03	0.035	0.04	0.045	0.05	0.055	0.06
400,000	43	64	85	106	126	146	166	186	206	225	244
100,000 ²	43	64	85	105	126	146	166	186	206	225	244
90,000	43	64	85	105	126	146	166	186	205	224	244
70,000	43	64	85	105	126	146	166	186	205	224	243
60,000	43	64	85	105	126	146	166	185	205	224	243
30,000	43	64	85	105	125	146	165	185	204	223	242
20,000	43	64	85	105	125	145	165	184	204	223	241
15,000	43	64	84	105	125	145	164	184	203	222	240
10,000	43	64	84	104	124	144	164	183	202	220	238
9,000	43	64	84	104	124	144	163	182	201	220	238
8,000	43	63	84	104	124	144	163	182	201	219	237
7,000	43	63	84	104	124	143	162	181	200	218	236
6,000	43	63	84	104	123	143	162	180	199	217	235
5,000	43	63	83	103	123	142	161	179	198	215	233
4,000	42	63	83	103	122	141	160	178	196	213	230
3,000	42	63	83	102	121	139	158	175	193	209	226
2,000	42	62	81	100	119	136	154	170	187	202	218

¹ For the first year of verification, ETCs should assume that this percentage is .01, if there is no evidence to assume a different percentage. In subsequent years, ETCs should use the results of samples from previous years to determine this estimated percentage.

² Sample sizes for ETCs with less than 400,000 Lifeline subscribers are calculated pursuant to the following formula: sample size = $N / (1 + ([N-1]/n))$. N is the number of Lifeline subscribers. n is $(2.706 * P * (1 - P)) / .000625$, where P is the estimated percentage of Lifeline subscribers inappropriately taking Lifeline service. ETCs may choose to calculate their sample sizes using these formulas.

Sample Size Table

Previously Estimated Proportion of Subscribers Inappropriately Taking Lifeline Service (P)

(N) Number of Lifeline Subscribers	0.01	0.015	0.02	0.025	0.03	0.04	0.04	0.045	0.05	0.06	0.06
1,500	42	61	80	99	116	133	150	166	181	196	210
1,000	41	60	78	96	112	128	142	157	171	184	196
900	41	60	78	95	111	126	140	154	168	180	192
800	41	59	77	94	109	124	138	151	164	176	187
700	41	59	76	92	107	121	134	147	159	170	181
600	40	58	74	90	104	118	130	142	154	164	174
500	40	57	73	88	101	113	125	136	146	155	164
400	39	55	70	84	96	107	118	127	136	144	152
300	38	53	66	79	89	98	107	115	122	129	135
200	36	49	60	70	78	85	91	97	102	106	110
150	34	45	54	62	69	74	79	83	87	90	93
120	32	42	50	57	62	66	70	73	76	78	81
100	30	39	46	52	56	60	63	65	68	69	71
90	29	38	44	49	53	56	59	61	63	64	66
80	28	36	41	46	49	52	54	56	58	59	60
70	27	34	39	42	45	48	49	51	52	54	55
60	25	31	35	39	41	43	44	46	47	48	48
50	23	28	32	34	36	37	39	40	40	41	42
40	21	25	27	29	31	32	32	33	34	34	34
35	20	23	25	27	28	28	29	30	30	30	31
30	18	21	22	24	24	25	26	26	26	27	27
25	16	18	19	20	21	21	22	22	22	23	23
20	14	15	16	17	17	18	18	18	18	18	19

Sample Size Table

Previously Estimated Proportion of Subscribers Inappropriately Taking Lifeline Service (P)

(N) Number of Lifeline Subscribers	0.01	0.015	0.02	0.025	0.03	0.04	0.04	0.045	0.05	0.06	0.06
17	12	14	14	15	15	15	16	16	16	16	16
15	11	12	13	13	13	14	14	14	14	14	14
13	10	11	11	12	12	12	12	12	12	12	12
11	9	10	10	10	10	10	10	10	10	11	11
10	8	9	9	9	9	9	9	10	10	10	10
9	8	8	8	8	8	9	9	9	9	9	9
8	7	7	7	8	8	8	8	8	8	8	8
7	6	6	7	7	7	7	7	7	7	7	7
6	5	6	6	6	6	6	6	6	6	6	6
5	5	5	5	5	5	5	5	5	5	5	5
4	4	4	4	4	4	4	4	4	4	4	4
3	3	3	3	3	3	3	3	3	3	3	3
2	2	2	2	2	2	2	2	2	2	2	2
1	1	1	1	1	1	1	1	1	1	1	1